

Maryland
FORM
500DM

**DECOUPLING
MODIFICATION**

YEAR (OR FISCAL YEAR
BEGINNING _____, _____
ENDING _____, _____)

| | |
|---------------------|--------------------------------|
| Name of taxpayer(s) | Taxpayer identification number |
|---------------------|--------------------------------|

Use this form only if the Maryland return is affected by the use (for any tax year) of any of the following federal provisions:

- Special Depreciation Allowance under the federal Job Creation and Worker Assistance Act of 2002 (JCWAA) as increased and extended under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA);
- Carryover of a net operating loss (NOL) based on the special 5-year carryback provision under the JCWAA; or
- Federal Section 179 depreciation deduction, taken for a tax year beginning in calendar year 2003, that was increased as a result of JGTRRA provisions.

Complete the worksheet below.

| | Column 1 Federal Return as Filed | Column 2 Federal Return without JCWAA and JGTRRA Provisions | Column 3 Difference Increase/ Decrease (-) |
|--|---|--|---|
| 1. Depreciation Deductions | <input style="width:50px" type="text"/> | <input style="width:50px" type="text"/> | <input style="width:50px" type="text"/> |
| Subtract the amount in Column 2 from the amount in Column 1 and enter in Column 3. If less than 0, enter as a negative amount (-). | <input style="width:50px" type="text"/> | <input style="width:50px" type="text"/> | <input style="width:50px" type="text"/> |
| 2. NOL Deductions | <input style="width:50px" type="text"/> | <input style="width:50px" type="text"/> | <input style="width:50px" type="text"/> |
| Subtract the amount in Column 2 from the amount in Column 1 and enter in Column 3. If less than 0, enter as a negative amount (-). | <input style="width:50px" type="text"/> | <input style="width:50px" type="text"/> | <input style="width:50px" type="text"/> |
| 3. Decoupling Modification from a Pass-through Entity | | | <input style="width:50px" type="text"/> |
| If the modification is a subtraction, enter as a negative amount (-). | | | <input style="width:50px" type="text"/> |
| 4. Other Related Changes (See instructions) | | | <input style="width:50px" type="text"/> |
| If the net change increases taxable income, enter as a positive amount. If the net change decreases taxable income, enter as a negative amount (-). | | | <input style="width:50px" type="text"/> |
| 5. Net Decoupling Modification | | | <input style="width:50px" type="text"/> |
| Net the amounts on lines 1 through 4 of Column 3. This is the Decoupling Modification. Enter here and include (as a positive number) in the appropriate line of the Maryland return being filed. Also enter the applicable letter code(s) in the boxes provided on the return. See table below. (When determining which code to use, disregard any amounts on line 4.) | | | <input style="width:50px" type="text"/> |

| Return Filed | If line 5 is positive enter on the line for: | Use the following code if there is an amount on: | | | If line 5 is negative enter on the line for: | Use the following code if there is an amount on: | | |
|--------------|--|--|-------------|----------------------------------|--|--|-------------|----------------------------------|
| | | Line 1 only | Line 2 only | Both lines 1 and 2 and/or line 3 | | Line 1 only | Line 2 only | Both lines 1 and 2 and/or line 3 |
| 500 | Other Additions | e | f | dm | Other Subtractions | j | k | dm |
| 502 | Other Additions | l | m | dm | Other Subtractions | bb | cc | dm |
| 504 | Other Additions | No code required | | | Other Subtractions | No code required | | |
| 505 | Other Additions | j | k | dm | Other Subtractions | p | q | dm |
| 500X | Total Addition Modifications | No code required | | | Total Subtraction Modifications | No code required | | |
| 502X | Additions To Income | No code required | | | Subtractions from Income | No code required | | |

DECOUPLING MODIFICATION

General Instructions

Purpose of Form

Maryland has decoupled from certain federal provisions, as listed at the top of Form 500DM, by enacting addition and subtraction modifications which eliminate the effect of the changes on Maryland and local taxes. This form is used to determine the amount of the required modification.

Use of Pro Forma Returns

Separate (pro forma) federal and Maryland returns must be prepared for use in completing Form 500DM. In addition to calculating depreciation and NOL deductions without the benefits afforded under the Job Creation and Worker Assistance Act of 2002 (JCWAA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA), pro forma returns will also help to determine other related items that affect Maryland and local income tax liability (e.g., income items, addition and subtraction modifications, deductions and credits).

Additional Information

For more information regarding these modifications, see Administrative Release 38 which is available on our website at www.marylandtaxes.com or from any office of the Comptroller.

Specific Instructions

Column 1 – Federal Return as Filed

Column 1 (lines 1 and 2) is used for the amounts reported on the federal return which include the impacts of the Special Depreciation Allowance, the special 5-year NOL carryback period and the expanded section 179 expensing provisions.

Column 2 – Federal Return Without JCWAA and JGTRRA Provisions

Column 2 (lines 1 and 2) is for the amounts which would have been reported on the federal return using federal law in effect prior to enactment of the JCWAA and JGTRRA (without regard to the Special Depreciation Allowance, the special 5-year NOL carryback period and the expanded section 179 expensing).

Column 3 – Change – increase/decrease (-)

Lines 1 and 2 Subtract the amount in Column 2 from the amount in Column 1. Enter in Column 3. Line 4 is for the change to taxable income in other related items (calculated before and after application of the JCWAA and JGTRRA provisions) that would affect taxable income. If the change decreases taxable income, enter the amount with a minus sign (-) in front of the number.

Line 1 – Depreciation Deductions

Use line 1 only for the depreciation expense deductions.

Line 2 – NOL Deductions

Use line 2 for NOL deductions. For Columns 1 and 2, limit the deductions as follows: For a corporation, the deduction may not exceed the federal taxable income. For all others, the deduction may not exceed the federal modified taxable income as determined on federal Form 1045, Schedule B.

Line 3 – Decoupling Modification from a Pass-through Entity

Use line 3 for decoupling modifications reported by a pass-through entity. Partners, shareholders or members should report only their share of the modification. Enter as a positive number if the modification is an addition and as a negative number (-) if it is a subtraction. **Do not** include this amount as an addition or subtraction modification on any pro forma returns.

Line 4 – Other Related Changes

Decoupling may also affect other items included in federal adjusted gross income (AGI) allowable itemized deductions, as well as Maryland addition and subtraction modifications. Because these items also affect Maryland taxable income, the decoupling modification must include an adjustment for these changes. If the net change for these items reduces taxable income, enter as a negative amount (-).

Examples of items affected by decoupling are:

- Gain or loss on sale of property
- Recapture of depreciation
- Passive loss
- Maryland itemized deductions

Line 5 – Total

Net the amounts from lines 1 through 4 and enter on line 5. If line 5 is positive, include this amount in the appropriate line of the Maryland tax return being filed. Also enter the appropriate code letter(s) in the box(es) provided for the type of addition modification (either depreciation or NOL, or both).

If line 5 is negative, include this amount as a positive number in the appropriate line of the Maryland tax return being filed. Enter the appropriate code letter(s) in the box(es) provided for the type of subtraction modification (either depreciation or NOL, or both).

See the table at the bottom of Form 500DM for the line numbers and code letters to use.

Credits

For Maryland income tax credits affected by electing JCWAA and/or JGTRRA treatment, enter on the return to be filed, credits as calculated on the Maryland pro forma return without JCWAA and/or JGTRRA treatment.

Note: If a credit for a tax paid to another state was claimed on the original return and the tax liability to the other state and/or Maryland changes as a result of the treatment of the JCWAA and/or JGTRRA provisions in either state, a revised Form 502CR must be completed using the Maryland and the other state's returns to be filed including all amendments and modifications.

Pass-Through Entities (PTE)

If the entity is a PTE (partnership, S-corporation, limited liability company or business trust), no adjustment is made on the PTE's Maryland income tax return (Form 510). However, Form 500DM must be submitted with Form 510 and the PTE must provide each partner, shareholder or member a statement showing their share of the decoupling modification.

Income from a PTE

Each partner, shareholder or member that has a decoupling modification from a PTE must also complete Form 500DM. Enter the decoupling modification from the PTE on line 3 of Form 500DM. Also use this amount to adjust the income from the PTE on the pro forma federal return to determine if other related changes exist. These changes would be entered on line 4 of Form 500DM. Do not include any decoupling modification on the Maryland pro forma return.

Attachment of Forms

Original Return Attach the completed Form 500DM to the Maryland income tax return to be filed. Pro forma returns used to complete this form are **not** to be filed with the Comptroller or the IRS, but should be retained with your tax records.

Amended Return Attach the completed Form 500DM, schedules and pro forma returns to amended return to be filed.

For questions concerning Form 500DM contact:

Revenue Administration Division
Annapolis, Maryland 21411-0001
410-260-7980 or toll-free at 1-800-MDTAXES
www.marylandtaxes.com